



# Total Compensation Journal

General Motors • Journal Number 45 • February 2009 • Special Edition

Compensation &  
Benefit Updates  
for 2009



## 2009 Total Compensation



General Motors continues to rapidly respond to the unprecedented challenges in the global economy. For example, in the United States, we are witnessing the lowest industry sales volumes in the past 50 years. In response, we're undertaking a number of very tough but necessary actions to position the company for long-term viability and success. Today, the company is announcing additional modifications to the salaried total compensation package and various programs for 2009. Our restructuring plan is very aggressive, and requires significant sacrifices from all GM stakeholders, including management, employees, unions, retirees, suppliers, dealers, investors and debt holders.

These decisions we are making are difficult, especially considering the many contributions you make every day. We want to thank you for your ongoing support during these challenging times. Please review the important information in this Total Compensation Journal.



### What's Inside...

- 3 ..... Temporary Pay Reduction and Compensation Statements
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- 5 ..... GM Severance Program and Mutual Separation Policy Revised Payment Schedule
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## Salary Changes



### **TEMPORARY PAY REDUCTION EFFECTIVE MAY 1, 2009**

Effective May 1, 2009, GM will implement temporary pay reductions for the majority of salaried employees. These temporary reductions will remain in effect through December 31, 2009, at which time this decision will be reviewed.

The percentage reduction will vary by level and salary, as follows:

- Executives will have their base pay reduced by 10%.
- Classified employees in levels 8 and 9 will have their base pay reduced by 7%.
- Most of the remaining salaried employees will have their base pay reduced by 3%. Employees will be notified of the details of this reduction by their leadership.
- U.S. International Service Personnel (ISPs) will have the pay reductions applied the same as if they were in the U.S., however all salary-based premiums and allowances (e.g. Living Cost Allowance, Mobility Premium, etc) will continue to be based on the salary in effect prior to the reduction.
- For employees who are placed on a disability leave of absence, on or after May 1, 2009, the disability payment will be based on the reduced monthly base pay.
- Benefit Plans directly associated with salary will also be impacted, such as the accrual rate for the 1.25% career average base salary formula, the GM 1% and 4% contributions, employee contributions to the S-SPP, etc. However, the amounts of Basic Life and Optional Life Insurance are not being reduced as a result of the temporary pay reduction.

### **COMPENSATION STATEMENTS**

Within the next few weeks, employees will receive a revised Compensation Statement with updated language necessary to implement the pay reduction. This document will be viewable and printable via myAuthorization. All exempt employees will be required to acknowledge this revised Compensation Statement.

## GM Severance Program and Mutual Separation Policy Modifications



### **BEGINNING APRIL 1, 2009**

GM has reviewed and modified both the GM Severance Program (GMSP) and Mutual Separation Policy (MSP) effective April 1, 2009. These modifications supersede the changes announced in late 2008 that were to be effective March 1, 2009.

### **GM SEVERANCE PROGRAM (GMSP) BENEFITS**

The GM Severance Program provides benefits for eligible employees who are involuntarily separated from General Motors. The following GMSP benefits are provided:

- Severance payments will be equal to one half of one month of base salary per full year of length of service, up to a maximum of 6 months (see table on page 5). There is no reduction for outside income or Unemployment Compensation received, if eligible.
- GM will continue to provide contributions for health, dental, vision and life insurance, for the duration of the severance payment period (up to 6 months).<sup>1</sup> Up to three months of outplacement services will also be provided.
- Employees may be selected for GMSP based on any one or a combination of the following: performance, relevant skills and length of service.
- A signed agreement is required for employees to receive the maximum level of benefits for which they are eligible.

### **GM MUTUAL SEPARATION POLICY (MSP) BENEFITS**

The Mutual Separation Policy (MSP) allows leadership to provide selected employees the opportunity to separate from GM on a mutually agreeable basis. The following benefits are available under the Mutual Separation Policy:

- Separation payments equal to one half of one month of base salary per full year of length of service, up to a maximum of 4 months (see table on page 5).
- GM will continue to provide contributions for health, dental, vision and life insurance, for the duration of the separation payment period (up to 4 months).<sup>1</sup> Up to three months of outplacement services will also be provided.




Note: All other provisions and requirements for both GMSP and MSP remain in place.

<sup>1</sup> Health, dental, vision and life insurance are subject to plan terms which may from time to time be amended, suspended, or terminated.

## GM Severance Program and Mutual Separation Policy Revised Payment Schedule

The following table provides the payment schedule under the revised MSP/GMSP Program effective April 1, 2009.



Years of Service	Mutual Separation Policy as of March 1, 2009	Revised Mutual Separation Policy as of April 1, 2009	GM Severance Program as of March 1, 2009	Revised GM Severance Program as of April 1, 2009	
0 Years	0 Months	0	0	0	
1 Years	1 Month	0.5 Month	1 Month	0.5 Month	
2 Years	2 Months	1.0 Month	2 Months	1.0 Month	
3 Years	3 Months	1.5 Months	3 Months	1.5 Months	
4 Years	4 Months	2.0 Months	4 Months	2.0 Months	
5 Years		2.5 Months	5 Months	2.5 Months	
6 Years		3.0 Months	6 Months	3.0 Months	
7 Years		3.5 Months		3.5 Months	
8 Years		4.0 Months		4.0 Months	
9 Years				4.5 Months	
10 Years				5.0 Months	
11 Years				5.5 Months	
12 Years				6.0 Months	

## Life Insurance In Retirement Update



### **BASIC LIFE INSURANCE IN RETIREMENT CHANGES EFFECTIVE MAY 1, 2009**

Salaried employees have Basic Life insurance, provided by GM, equal to two times annual base salary. The two times annual base salary while active remains unchanged.

For employees with a service date prior to January 1, 1993, the amount of Basic Life Insurance provided by GM in retirement is as follows:

- On the date of retirement, benefit will be 75% of the annual base salary (currently 100% of base salary).
- Following the 10th anniversary of the retirement, the amount of Basic Life Insurance that was in effect on the date prior to the retirement, will be reduced by an additional 25% of annual base salary (currently reduced by 50%) but not to less than \$25,000.

### **LIFE INSURANCE EXAMPLE**

As an example, a current salaried employee having an annual base salary of \$60,000 has Basic Life Insurance (BLI) of \$120,000 as an active employee. This individual's BLI, on the day of retirement, would have reduced to \$60,000 and then, on the 10th anniversary of the retirement, would have reduced by 50% to \$30,000.

As of May 1, 2009, this same person, with an annual base salary of \$60,000 as an active employee, would have their \$120,000 of BLI reduce to \$45,000 on the date of retirement and then, on the 10th anniversary of the retirement, reduce again by 25% of annual base salary to \$30,000.

The final amount of the BLI remains the same in this example, however, the reduction in the amount of BLI has accelerated on the date of retirement to a lesser amount. BLI coverage will not reduce below \$25,000.

Note, most current retirees are impacted by this modification and will have their Basic Life Insurance reduced effective May 1, 2009, by 50% of the amount that was to be taken effective January 1, 2017, and then, on January 1, 2017, the balance of the reduction will be taken having the effect of accelerating the reduction that was previously announced to retirees in 2006.

## Health Care Coverage In Retirement Update



### **EFFECTIVE JANUARY 1, 2010**

Effective January 1, 2010, GM will cancel health care coverages and benefits (medical, dental, vision, and Extended Care Coverage as well as the Medicare Part B Special Benefit) for salaried retirees, surviving spouses and eligible dependents who are under age 65 and who are eligible for Medicare.

The cancellation of health care coverages will occur at the individual level, allowing salaried retirees, surviving spouses and dependents, who are under age 65 and not eligible for Medicare, to remain covered by the General Motors Salaried Health Care Program until they reach age 65, or until they become eligible for Medicare.

This change will not impact those individuals who are considered to have End Stage Renal Disease (ESRD) as defined by Medicare.

To help offset health care costs an individual may incur, GM is establishing a company-funded Health Reimbursement Account (HRA) for impacted retirees or surviving spouses only. Dependent spouses and dependent children impacted by this change are not eligible for an HRA.

Beginning January 1, 2010, GM will provide \$260 per month of medical expense credits. The funds available through the HRA are non-taxable, but may only be used for qualified health care expenses, including monthly premiums, deductibles and co-pays. The monthly HRA contribution will continue until the eligible retiree or surviving spouse reaches age of 65. At that time, the HRA contribution will cease and the \$300 (taxable) monthly Pension Benefit will start.

To help individuals enroll in an individual health care plan, GM has contracted with Extend Health. Extend Health is the same company that assisted over 60,000 salaried retirees, surviving spouses and dependents, age 65 & older, enroll in Medicare Supplemental or Medicare Advantage plans effective January 1, 2009.

Additional communications and materials explaining this change will be mailed this summer.

The information presented in this document briefly describes various GM programs and features. It does not cover all the details about the Programs, which are found in plan documents. In the case of any conflict between these materials and benefit plan terms, the plan terms control and supersede any other oral or written statement. General Motors reserves the right to amend, modify, suspend or terminate any of its benefit plans or programs at any time by the action of the Board of Directors, or individual or other committee expressly authorized by the Board to take such action. This document and the benefits described within do not imply any guarantees.





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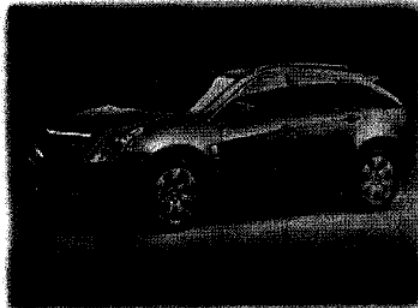


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